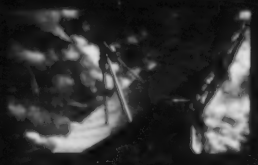
SCN Annual Report

2006 · 2007

connect



create

communicate

SCN

Celebrating 15 Years!

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Letter of Transmittal

To His Honour
The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

Your Honour:

I am honoured to submit the annual report of the Saskatchewan Communications Network Corporation (SCN) for the year ended March 31, 2007, including financial statements, in accordance with *The Communications Network Act*.

Respectfully,

Sandra Morin

Sandra Morin
Minister Responsible for SCN

Message from Board Chair

How exciting to be the new Board Chair for SCN, a growing and dynamic organization that serves Saskatchewan people in so many ways.

As a founding member of the Saskatchewan Motion Picture Association, and with years of active participation in the province's film and TV industry, I have witnessed the growth and vitality of SCN for many years. I understand what a strong support SCN is to the entire Saskatchewan community: providing jobs, telling stories, and providing access to educational opportunities.

SCN's strategic approach to growing the industry while broadcasting stories about Saskatchewan people and culture is rolling out successfully, and it will be gratifying to use my experience to continue the momentum.

I look forward to working with fellow Board members and the SCN executive team to expand on their achievements into the future.

Veronica Gamracy
Chair, SCN Board of Directors

SCN Board of Directors 2006-2007

Ken Alecxe, President and CEO
Veronica Gamracy, Board Chair
Kelly Miner
Barbara MacLean
Patti Pacholek
Chris Lee
Raj Randhawa
Patricia Roe
Devin O'Neal
Gordon Tootoosis
Glenda James

Message from SCN President and CEO

What an exciting year it has been at SCN! As well as celebrating our milestone 15th anniversary with Saskatchewan people everywhere, SCN continues to build on its high-quality regional television roster, adding new made-in-Saskatchewan programs to the 600-plus series and specials it has broadcast over its 15 years. That represents a lot of stories for, by and about Saskatchewan, and a lot of jobs created in our provincial film industry.

Other SCN networks also experienced growth in this period: the E-Learning Network delivered credit courses to more than 3,300 registered students, and SCN expanded its broadband internet services through a unique partnership that will see remote and rural communities throughout Canada gaining access through SCN's two-way digital satellite network.

Disseminating distance education to more students in remote areas than ever before; showcasing Saskatchewan culture via satellite television; and marketing connectivity throughout Canada: these are just some of the accomplishments from the past year.

Throughout this year of celebration and growth, SCN has welcomed several new members to its Board of Directors. I extend sincere thanks to the out-going Board Members, and look forward to working with the new Board Members to build on SCN's many services to Saskatchewan people. I also wish to express my appreciation to the SCN executive team and staff, without whom the many successes of the past year would not have been possible.

Ken Alecxe
SCN President and CEO

SCN Executive Team

Ken Alecxe, President and Chief Executive Officer
Richard Gustin, Executive Director, Programming
Twyla MacDougall, Executive Director, Finance, Strategic Planning and Human Resources
David Stanchuk, Director, Technology
Maureen MacDonald, Director, Communications and Marketing

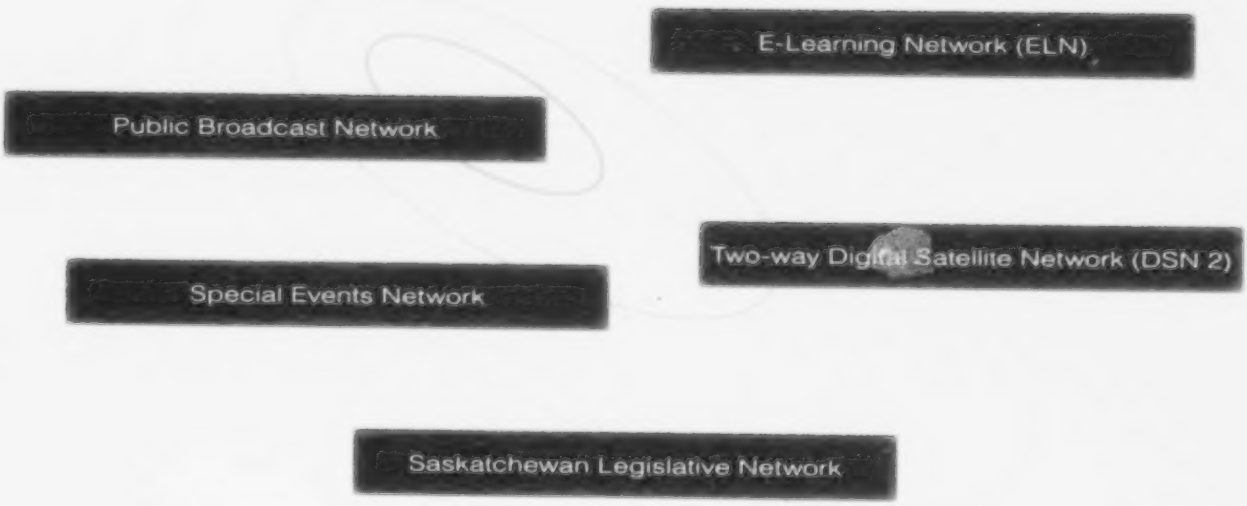
Saskatchewan Communications Network

In 2006/07, SCN continued to strive toward its vision of being a modern storyteller in the ancient tradition: teacher, entertainer and keeper of cultural values.

Five Unique Satellite Networks

SCN has a far-reaching and complex mandate: to serve as the regional, public broadcaster that delivers cultural, informational and educational programming; and to act as an enabler for the regional film and television industry. To many Saskatchewan people, SCN is best-known for its public broadcast network. However, SCN meets its mandate through all five of its satellite networks, operated from SCN headquarters in Regina.

SCN Satellite Networks



Then: In 1991, SCN had a staff of six.

Now: SCN employs 36 people and generates work for literally hundreds of local suppliers around the province.

Connect Create Communicate

SCN's five satellite networks provide a wide variety of critical services to Saskatchewan people – regional television programs that showcase our own culture, opportunities for professional training and advanced education, and access to high speed internet in otherwise unserved communities. SCN uses its advanced technology to:

- *Connect* Saskatchewan communities and learners to opportunities for higher education, professional training and high speed internet access
- *Create* opportunities for independent film and video producers to share stories about our people and province
- *Communicate* a world of ideas and reflect Saskatchewan's unique culture via satellite television

Connecting Communities and Learners

SCN connects communities and learners wherever they live and work to opportunities for higher education, professional training and high speed internet access.

Opportunities for education

SCN's E-Learning Network (ELN), a closed circuit television satellite network, delivers credit programs in partnership with Saskatchewan schools, colleges and universities. SCN uses its distance education infrastructure to distribute video, audio, and other online and streaming technologies to provide formal education opportunities to Saskatchewan residents in underserved remote and rural communities.

ELN Learning Lab

"Saskatchewan's ELN is unique in Canada—no other provincial educational authority has a live interactive televised education system on this scale: 14 studios, 270 classrooms and growing."

Recognizing Saskatchewan's TV teachers

Together with Saskatchewan Learning, SCN presents the Garth Ferguson Award bi-annually to recognize excellence in televised post-secondary education, assessed according to leadership, innovation, design and impact. The 2007 Garth Ferguson Award was presented to Linda Epstein of the University of Saskatchewan's Division of Media and Technology. Linda is currently Project Manager for Televised and Blended Distance Learning for the Division. In 2006, there were three award recipients: Dr. James Pitsula, a history professor from the University of Regina; and Cherylee Highway and Diana Barr, who jointly developed and delivered a preventive course dealing with crystal meth for the Saskatchewan Indian Institute of Technologies.

Then: In its first year, SCN delivered 8 credit courses to about 960 students in 35 locations via ELN.

Now: SCN delivers 70 courses and served about 3300 students in 270 locations.

Opportunities for internet connectivity

In this new multimedia age of broadband internet communication, access is essential. After years of providing vital high-speed internet service to hundreds of schools and government offices throughout rural and remote Saskatchewan, SCN expanded its DSN2 network services right across the country in 2006. Through a strategic alliance with OmniGlobe Networks Inc., SCN delivers satellite-based wireless broadband internet service capable of supporting video-conferencing, Voice over Internet Protocol (VoIP) and other e-solutions to rural and remote communities across Canada.

Other networks: more opportunities

SCN operates the Saskatchewan Legislative Network when the Legislative Assembly is in session, broadcasting the activities live each day. SCN also operates the Special Events Network, which allows clients to efficiently provide professional training and seminars to geographically widely dispersed clients. Live, one-way video and audio may be transmitted from one to up to 270 fully equipped sites throughout Saskatchewan and signals can be received right across North America if needed.

Keeping clients connected

Each year, the SCN Help Desk responds to thousands of calls from teachers, site co-ordinators and students requiring technical assistance to operate and maintain their e-classrooms. Most problems are rectified within two or three minutes, and nearly 100 per cent of SCN stakeholders surveyed reported satisfaction with the technical Help Desk.

Creating Opportunities in the Film and TV Industry

SCN's public broadcast network creates opportunities for independent filmmakers to share Saskatchewan stories and culture. SCN's broadcast signal reaches 90% of Saskatchewan households, and satellite subscribers across Canada. Programs are delivered on cable, wireless, digital and satellite television networks.

CRTC Renews SCN's Broadcast Licence

In February 2007, the Canadian Radio-television Telecommunications Commission (CRTC) renewed SCN's licence to operate a non-commercial provincial educational broadcast television service for a seven-year period, until August 31, 2013.

First in Canada

In 2006, SCN became the first broadcaster in Canada to adopt innovative technology with advanced tools to simplify and automate the tasks of operating its public broadcast, and now has complete digital asset management. Powerful computer-based, fully automated broadcast servers are integrated with a massive on-line storage facility that stores SCN's entire program library. The storage cluster has a capacity of up to 4,000 hours — that's 350 times the storage capacity of a typical personal computer.

Helping to fund Saskatchewan stories

ARCHIVAL Intrinsic Productions Inc.

SCN purchases broadcast rights for programming and helps develop projects undertaken by local independent producers. SCN's financial contribution to projects in the Saskatchewan film and television community represented 70% of SCN's programming budget in 2006-07. SCN has supported over 660 local productions in 15 years, with the $12.4 million investment generating an additional $114.5 million in jobs and other economic activities in Saskatchewan.

For every dollar SCN contributed to a Saskatchewan production, over nine times the amount is generated in production activity.

Selecting programs that educate as well as entertain

From imaginative, educational children's programming to highly researched documentaries, SCN applies as a minimum three criteria for selecting the regional programs it broadcasts:

- Mandate: Programs must meet the SCN mandate of delivering cultural educational TV while supporting the work of independent producers.
- Public Priorities: Programs are also chosen to meet public priorities, like literacy, substance abuse, and energy and environmental issues.
- Viewer research: SCN also selects programming based on input from extensive annual viewer surveys and other research.

SCN's Made-in-Saskatchewan Award Winners

Looking back on the 15th anniversary celebrations of SCN's public broadcast network, SCN is proud to showcase its many award-winning programs: an impressive roster of regional series and specials about Saskatchewan people, history and events that have been recognized for excellence.

Titles	Golden Sheaf Awards
Ekopei Namew	Dark Thunder Productions
Under The Skin	Four Square Productions Ltd.
Wapos Bay: Theres No I In Hockey	Wapos Bay Productions

Titles	Geminis
Dad	Chris Triffo, Dean Evans
Wapos Bay: There Is No I In Hockey	Wapos Bay Productions

Title	Emmys
13 Seconds: The Kent State Shootings	Partners in Motion

Titles	Showcase Awards
13 Seconds: The Kent State Shootings	Partners in Motion Inc. – Ian MacLean, Mike McNaughton
4 Square Productions	Wapos Bay Productions Inc. – Dennis Jackson
A Soldier's Voice	Partners in Motion Inc.
Blueberry	Blueberry Films Inc. – Darryl Kesslar
Christmas at Wapos Bay	Dark Thunder Productions Inc. – Cam Lizotte, Dennis Jackson
Cosmic Current	Radiant Entertainment Inc. – Anand Ramayya
Decoy	North West Pictures Inc.
Donna's Story	National Film Board of Canada
Elfkins First Christmas	Elfkin's Productions Inc.
Frankie & Walter – One More Time	Camera West Film Associates
Friends First: The Story of Team Schmirler	Cooper Rock Pictures Inc. – Daryl K. Davis, Lori Kuffner
Guitarman	Heartland Motion Pictures Inc. – William Butler, Jim Folk, Warren ST., Rob Bryanton, Barry Parrell
Heartbeat of the Earth	Y'utthe Assiy Productions Inc. – Dennis Jackson, Derek Diehl
Incredible Story Studio	Minds Eye Pictures Ltd./Vérité Films Inc. – Mark Eisenzimmer, Paul Eisenzimmer, Camille Devine, Payson Rock, Eslyse Levesque, Redge Deitrich, Dan MacDonald, Misty-Lee Selinger, Tatiana Maslany
Indecently Exposed	Westwind Pictures Inc.
Karaoke Night at the Plains	Cooper Rock Pictures Inc.
Moscow Summer	Zima Junction Productions Inc. – Robin Schlaht
Paris or Somewhere	Reel Eye Media Ltd./Credo Entertainment Corp. – Lee Gowan, William Butler, Jim Folk, Warren ST., Rob Bryanton, Jay Semko, Ross Nykiforuk, Jim Phillips
renegadepress.com	Vérité Films Inc. – Jeff Beesley
The James & Kevin Show	Cable Regina Inc. – Kevin Allardyce, James Whittingham
The Trickster	Reel Eye Media Ltd. – Mark Dobrescu, Dean Evans, Gordon McLennan
Utopia Cafe	Heartland Motion Pictures Inc. – Stephen Hall, Stephen Onda
Very Odd Jobs	Partners in Motion Inc.
Vietnam: Canada's Unknown War	Partners in Motion Inc. – Scott Triffo, Trevor Aikman, Chris Triffo
Water Water	4 Square Productions Ltd.
What on Earth	Film Crew Productions Inc. – Bruce Steele
Wide Mouth Mason – Playing with Poison	GHK Pictures Inc. – Jerry Burianyk

Then: In 1991, SCN worked with independent film and video producers who were part of a $5 million industry.

Now: Today SCN works with independent film and video producers who are part of a $75 million industry.

Communicating a World of Ideas

SCN communicates a world of ideas and reflects the unique culture of prairie and northern life. Saskatchewan's Storyteller broadcasts programs that have attracted dedicated fans to locally produced programs, and receives fan mail from viewers far and wide.

Access beyond the airwaves

To ensure viewers beyond SCN's airwaves have access, SCN began streaming some of its most popular made-in-Saskatchewan programs on its website at www.scn.ca. Along with other technical innovations, streaming technology provides the world with access to selected SCN programs, and has propelled a dramatic increase in SCN website usage over the past year.

Telling their own stories

Following the successful Centennial Homecoming Video series in 2005, SCN developed a new series in 2006 called 15 Minutes of Fame by inviting viewers to send in proposals for telling their own stories on TV. Approximately 30 video productions received grants to help produce the 15-minute videos. The resulting videos covered diverse subjects about Saskatchewan people and places. The series was so well received that SCN will launch a new season, along with a similar youth series, in fall 2007.

15 Minutes of Fame, SCN

Facilitating dialogue

In 2006, SCN hosted a dialogue between Aboriginal elders and youth, and local producers to learn how to best work together to develop future programs for the public broadcast network. As a result, at SCN's National Aboriginal Day celebration in Wanuskewin Heritage Park, SCN announced the launch of a new series called Firsthand, which featured high-quality documentaries that highlighted issues, challenges and achievements of Canadian Aboriginal peoples.

Two Worlds Colliding, MB

First Stories film makers

Opportunities for Aboriginal storytellers

Also in 2006, SCN partnered with the NFB Prairie Centre, CBC, and SaskFilm for the initiative, First Stories: Saskatchewan. The partners held a series of free workshops for 15 emerging Aboriginal documentary filmmakers from Saskatchewan, who were invited to propose stories for short video productions. From these proposals, four young producers were selected to receive production financing and mentorship from the program partners.

More industry support

SCN proudly sponsors many industry-related activities. As well as holding SCN Open House events to celebrate new made-in-Saskatchewan programs, SCN sponsors the Golden Sheaf Award for Documentary Point of View each year at the Yorkton Short Film and Video Festival. Also in 2006, SCN was one of the sponsors of the Regina Indigenous Filmmakers Symposium, the National Student Film Festival, the Canadian Association of Broadcasters conference in Vancouver, and more.

Redemption Lusa Media Arts Inc

Friends of SCN Dedicated Viewers

SCN continues to attract more Friends of SCN: dedicated viewers who donate money to support more regional program development. During the four on-air campaigns each year, viewers learn about SCN's vital work as Saskatchewan's Storyteller and are invited to join the Friends of SCN.

Dedicated funds

Funds raised from Friends assist in the development of regional programming: more stories about Saskatchewan people and culture. Friends of SCN are influential regarding SCN's programming: they are regularly surveyed for feedback, and that feedback is acted upon. In 2006 – 07 the Friends of SCN membership grew substantially. Moreover, SCN joined the Leave a Legacy campaign, enabling Friends of SCN to leave gifts in their wills and estate plans.

SCN Open Houses

SCN celebrated its milestone 15th anniversary by travelling throughout Saskatchewan to hold SCN Open Houses in a number of communities. Open Houses provide viewers and the Friends of SCN with the opportunity to screen new regional programs and meet the producers who create the stories they enjoy on the Public Broadcast Network.

SCN Open House event

Thank you to a special Friend of SCN

SCN was thrilled to welcome Dr. Jacqui Shumiatcher as a Friend of SCN last year. A well-known patron of Saskatchewan art, Dr. Shumiatcher made the largest individual donation ever received from a Friend of SCN. Her donation was targeted to help the production of a new regional series about architecture and heritage, Edifice & Us, which tells the stories of significant Saskatchewan buildings and their creators, offering a unique way to learn about the culture and heritage of the province.

Dr. Jacqui Shumiatcher

Edifice & Us, Wolf Sun Productions Inc.

Then: When it went to air in 1991, SCN had access to approximately 40 made-in-Saskatchewan programs.

Now: With help from Friends, SCN has supported over 660 local productions... that's a lot of Saskatchewan stories!

What People Say About SCN

SCN regularly commissions independent researchers who survey the general public, dedicated SCN viewers, and stakeholder groups who work with SCN to understand how its services are received, and how to make improvements. This research helps SCN understand what engages its viewers most. In fact, survey feedback is used to guide programming decisions based on the input received from the responses.

Me and the Mosque, XTR
Zarqa Nawaz

Most recent survey results

Recent surveys, conducted between November 2006 and January 2007, indicate that Saskatchewan's own public educational broadcaster continues to rate highly in growth and audience satisfaction. Furthermore, the research indicates that Saskatchewan's independent producers value SCN, often their first broadcast window and platform to attract further financing for their work. With SCN's support, the overall number of people who make a living in Saskatchewan's film and TV industry more than doubled in less than 10 years.

Research highlights:

- A full 94% of SCN viewers rate the programming as good or very good, a 13% increase from last year.
- The large majority (92%) of viewers continue to be supportive of regional programming on SCN, up from 89% last year.
- Of all local channels, dedicated viewers say SCN provides the best information on regional community events and people.
- 100% of SCN stakeholders described their relationship with their main SCN contact person as positive.

Life Without Borders
Incandescent Films Inc.

Middle of Somewhere, Instapose Productions Inc.

Then: In 1991, SCN a Public Broadcast Network aired 7 hours of programming a day, a total of 2555 hours per year.

Now: Her Public Broadcast Network airs 17 hours of programming a day, a total of 6205 hours per year.

Management Discussion and Analysis

Accountable to You

As Saskatchewan's public regional broadcaster, we are accountable to the people of our region. SCN strives to achieve this through an annual strategic planning process and effective performance measures.

Strategic Planning Process

The Saskatchewan Communications Network (SCN) was created by an act of legislature in 1989 and SCN is a Treasury Board Crown entity under *The Communications Corporation Act*.

SCN's performance plan builds upon the vision of SCN as a modern storyteller in the ancient tradition. SCN will be teacher, entertainer and keeper of cultural values. The annual planning process is inclusive with involvement of all staff and consultation with various external stakeholders.

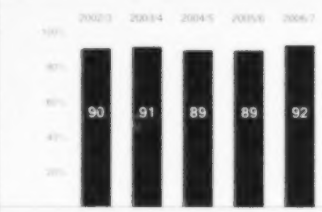
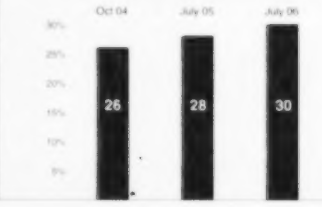
Performance Management

Performance measures are the critical tool to achieve success in our stated vision, strategic goals and objectives. SCN's performance objectives and results for 2006/07 follow along with past year comparatives.

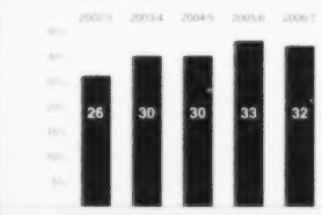
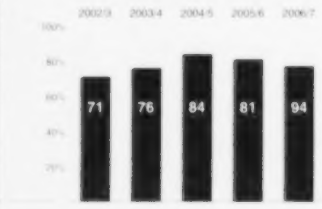
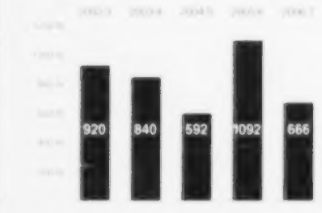
GOAL 1 – Cultural Affirmation

SCN **communicates** with the region profiling the culture, history, places and people of our region through the business of broadcasting. SCN is unique as it strives to provide a Saskatchewan voice or a Saskatchewan viewpoint.

Objective 1 – Meet the cultural needs of the Saskatchewan television viewing audience.

What are we measuring?	Progress to date
Percentage of viewers as a total of all television viewers who value regional programming	 With a proportionately distributed province-wide sample of 1,000 people the consulting firm can say with a 95% level of certainty that the overall results of the survey are within ± 3.1% of what they would be if the entire adult population of the province were polled.
Percentage of on-air regional programming as a total of all SCN programming	

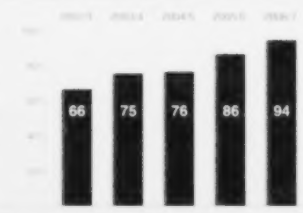
Objective 2 – Meet the public education broadcast needs of the Saskatchewan viewing audience.

What are we measuring?	Progress to date
Percentage of total Saskatchewan viewers who watch SCN often or sometimes	 With a proportionately distributed province-wide sample of 1,000 people the consulting firm can say with a 95% level of certainty that the overall results of the survey are within ± 3.1% of what they would be if the entire adult population of the province were polled.
Percentage of SCN viewers satisfied with programming	
Hours of program inventory annually maintained and replaced.	

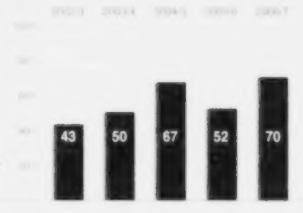
GOAL 2 – Economic Opportunity

SCN supports the Saskatchewan film and video industry by purchasing broadcast rights for existing programs and funding future programs, to **create** economic opportunity. In particular, the SCN licence supports small to mid-sized producers who find it difficult to otherwise acquire a licence. SCN's financial commitment is often the catalyst attracting investment from outside the province.

Objective 1— Leverage investment in Saskatchewan's film and video industry from national broadcasters, the Federal government and other funding agencies through SCN's purchase of a film program's broadcast licence.

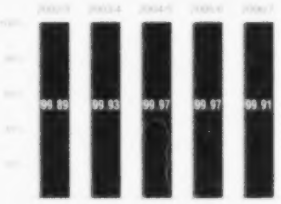
What are we measuring?	Progress to date
Percentage of SCN productions involving regional producers as a total of all SCN film and television productions	

Objective 2 — Leverage economic activity in the Saskatchewan film and video industry through increased expenditure on regional programming.

What are we measuring?	Progress to date
Percentage of regional programs purchased as a total of annual programming budget	

GOAL 3 – Access to Information and Educational Opportunities

SCN **connects** the remote and rural communities that require satellite technology to distribute educational and cultural programming. Equitable access to information and training opportunities is critical to creating a competitive workforce, a necessity for provincial sustainability within the global economy.

Objective 1 – Increase distance learning and training opportunities.	
What are we measuring?	**Progress to date**
Service reliability of networks	

The Year Ahead, 2007-08

Details of the year ahead can be found in SCN's 2007/08 Performance Plan available on the web site at www.scn.ca. SCN provides added value to the people and communities of this region through:

- The development, retention and distribution of their stories;
- An increase in economic activity within the film and video industry; and,
- The access to learning opportunities that would not otherwise be available.

SCN's strategic plan is not a static document; it will continue to evolve over time to reflect new priorities, as well as changes to the operating environment. Evaluation of the plan will occur annually, with participation of SCN's staff, SCN's Board of Directors and relevant government departments, with revisions made when required.

Financial Report

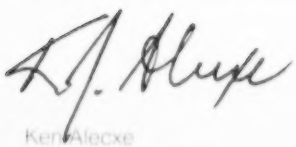
Responsibility for Financial Statements

Management has prepared the financial statements of the Corporation in accordance with Canadian generally accepted accounting principles. The financial data included elsewhere in this report is consistent with these statements and the underlying information from which the Corporation prepared them.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this integral part of operations the Corporation maintains an appropriate system of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safely guarded and transactions are authorized and accurately recorded.

An audit committee, composed of members of the SCN Board of Directors, meets at least twice a year with management and a team of independent auditors. These auditors have free access to this committee, without management present to discuss the results of their audit work and their opinion on the adequacy of internal financial controls and the quality of financial reporting.

The financial statements have been examined and approved by the SCN Board of Directors. Independent external auditors have examined the March 31, 2007 financial statements and their report follows.



Ken Alecxe
President and CEO
May 2007

KPMG LLP
Chartered Accountants
2000 - 1881 Scarth Street
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Telefax (306) 757-4703
www.kpmg.ca

Auditors' Report

To the Members of the Legislative Assembly, Province of Saskatchewan.

We have audited the balance sheet of Saskatchewan Communications Network Corporation as at March 31, 2007 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2007 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

Regina, Canada

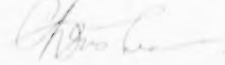
May 22, 2007

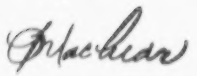
BALANCE SHEET

AS AT MARCH 31, 2007

	2007	2006
ASSETS		
Current Assets		
Cash	$ 739,702	$ 1,137,194
Accounts receivable and accrued interest	707,249	940,392
Inventory and prepaid expenses	98,783	79,828
	1,545,734	2,157,414
Property Plant and Equipment (note 3)	775,116	799,404
Film and Television Program Rights (note 4)	2,530,819	2,734,335
	$ 4,851,669	$ 5,691,153
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 950,550	$ 1,586,878
Funds under administration (note 5)	124,790	68,233
	1,075,340	1,655,111
Deferred Contributions (note 6)	126,139	199,995
Deferred Contributions Related to Property Plant and Equipment (note 7)	5,885	474,297
NET ASSETS		
Invested in property plant and equipment	769,232	325,107
Invested in film and television program rights	2,530,819	2,734,335
Internally restricted – capital reserve	—	200,000
Internally restricted – TV program rights reserve	196,500	
Unrestricted	147,754	102,308
	3,644,305	3,361,750
Commitments (note 8)	$ 4,851,669	$ 5,691,153

SIGNED ON BEHALF OF THE BOARD


Director


Director

See accompanying Notes to the Financial Statements

STATEMENT OF OPERATIONS

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
REVENUE		
Grant from the Government of Saskatchewan		
– General revenue fund	$ 6,435,000	$ 5,687,000
Data transmission over satellite	1,964,343	1,831,737
Video transmission over satellite	321,294	304,527
Corporate sponsorship	180,500	322,495
Project administration and miscellaneous	67,377	88,053
Membership	74,235	51,307
Interest	36,231	30,622
	9,078,980	8,315,741
EXPENSES (note 13 and 14)		
Film and television program rights	2,015,233	2,206,821
Progam development and production	378,050	282,064
Program support	575,815	503,695
Broadcast network distribution and support	952,079	1,126,422
E-learning network distribution and support	573,002	584,451
Other networks distribution and support	1,707,086	1,637,800
Administration	1,703,869	1,521,950
Authorization of property plant and equipment	891,291	665,604
	8,796,425	8,528,807
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES FOR THE YEAR	$ 282,555	$ (213,066)

see accompanying Notes to the Financial Statements

STATEMENT OF CHANGES IN NET ASSETS

FOR THE YEAR ENDED MARCH 31, 2007

	Invested in		Internally restricted (note 2e)			
	Property plant and equipment	*Film and television program rights*	*Capital*	*TV program rights*	*Unrestricted*	*2007*
Balance, beginning of year	$ 325,107	$2,734,335	$ 200,000	---	$ 102,308	$ 3,361,750
Excess (deficiency) of revenues over expenses	(891,291)	(1,872,175)	(200,000)	196,500	3,049,521	282,555
Increase (decrease) in investments	867,004	1,668,659	---	---	(2,535,663)	---
Deferred contributions related to property plant and equipment	468,412	---	---	---	(468,412)	---
Balance, end of year	$ 769,232	$2,530,819	---	$ 196,500	$ 147,754	$3,644,305

FOR THE YEAR ENDED MARCH 31, 2006

	Invested in		Internally restricted (note 2e)			
	Property plant and equipment	*Film and television program rights*	*Capital*	*TV program rights*	*Unrestricted*	*2006*
Balance, beginning of year	$ 421,503	$2,084,048	$ 200,000	---	$ 869,265	$ 3,574,816
Excess (deficiency) of revenues over expenses	(665,604)	(1,848,229)	---	---	2,300,767	(213,066)
Increase (decrease) in investments	223,556	2,498,516	---	---	(2,722,072)	---
Deferred contributions related to property plant and equipment	345,652	---	---	---	(345,652)	---
Balance, end of year	$ 325,107	$2,734,335	$ 200,000	---	$ 102,308	$ 3,361,750

see accompanying Notes to the Financial Statements

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED MARCH 31, 2007

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES		
Grants received	$ 6,435,000	$ 5,687,000
Interest received	35,994	29,602
Fees received for goods and services	2,298,861	1,466,251
Net cash receipts for funds under administration	56,557	13,804
Cash payments to suppliers and employees	(6,688,241)	(4,866,980)
	2,138,171	2,329,677
CASH FLOWS USED IN INVESTING ACTIVITIES		
Cash payments for purchase of property plant and equipment	(867,004)	(223,556)
Cash payments for purchase of film and television program rights	(1,668,659)	(2,498,516)
	(2,535,663)	(2,722,072)
Decrease in cash	(397,492)	(392,395)
CASH - BEGINNING OF YEAR	1,137,194	1,529,589
CASH - END OF YEAR	$ 739,702	$ 1,137,194

see accompanying Notes to the Financial Statements

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2007

1. STATUS OF CORPORATION

Saskatchewan Communications Advanced Network Authority (SCAN) was established by an order-in-council January 11, 1989 under the *Crown Corporations Act, 1978*. SCAN was continued as Saskatchewan Communications Network Corporation (SCN) under the *Communications Network Corporation Act, 1990*. Accordingly, the financial results of the Corporation are included in the summary financial statements of the Province of Saskatchewan. As a provincial Crown corporation, SCN is not subject to federal income tax, provincial income tax, federal large corporations tax or goods and services tax.

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

a) Inventory

Inventory, consisting of satellite antennae, is recorded at the lower of weighted average cost, and net realizable value.

b) Revenue recognition

The government operating grant is recognized in the year it is approved. Other government contributions are recognized as revenue in the fiscal year in which the related expenses are incurred.

Deferred contributions represent funding received in the current period that is related to externally restricted expenses in the subsequent period.

Other revenues are recognized when the related service is provided.

c) Use of estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

d) Defined contribution pension plan

The Corporation contributes to a defined contribution plan. The defined contribution plan costs are recognized as employees render services during the year.

e) Internally restricted

In prior years, this appropriation had been established to provide for the replacement and upgrading of satellite receivers and other technical equipment. Upon approval of the Board of Directors, the original capital reserve was exhausted and a new appropriation established for TV program rights. Future amounts may be transferred to (from) the reserve on the authority of the Board of Directors.

f) *Property plant and equipment*

Property plant and equipment are recorded at cost less accumulated amortization. Amortization is calculated over the assets estimated useful lives as follows:

Office equipment and furniture	Declining Balance	30%
Uplink development and broadcast equipment	Declining Balance	30%
Computer hardware	Declining Balance	40%
TVs, VCRs, satellite dishes and video receivers	Declining Balance	40%
Fax machines and audio conferencing units	Declining Balance	50%
Computer software	Declining Balance	60%
Data transmission equipment	Straight Line	3 years
Scheduling computer software	Straight Line	5 years
Network configuration	Straight Line	5 years
Office renovations	Straight Line	6 years
Digital video compression equipment	Straight Line	9 years

On an annual basis SCN management assesses the remaining useful life of property, plant and equipment and if required adjusts the amortization period.

g) *Film and television program rights*

Film and television program rights are recorded at cost less accumulated amortization. Amortization is calculated over the assets estimated useful lives as follows:

Class A: Event programming	Expense	100%
Class B: Short to mid term programming	50:50	2 years
Class C: Normal term programming	35:35:30	3 years
Class D: Long term programming	Straight Line	5 years

On an annual basis SCN management assesses the remaining useful life of film and television program rights and if required adjusts the amortization period.

3. PROPERTY PLANT AND EQUIPMENT

The components of property plant and equipment as well as the related accumulated amortization are:

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office equipment and furniture	$ 470,755	$ 378,571	$ 92,184	$ 101,950
Uplink development and broadcast equipment	1,356,545	786,957	569,588	26,187
Computer hardware	584,763	537,190	47,573	51,064
TVs, VCRs, cameras, satellite dishes and receivers	486,549	482,261	4,288	8,246
Fax machines and conferencing units	31,652	31,629	23	45
Computer software	157,116	148,203	8,913	11,425
Data transmission equipment	2,280,247	2,274,363	5,884	474,297
Scheduling computer software	128,852	122,261	6,591	16,111
Network configuration	360,027	353,979	6,048	44,042
Office renovations	192,073	158,049	34,024	66,037
Digital video compression equipment	1,341,474	1,341,474	0	0
	$ 7,390,053	$ 6,614,937	$ 775,116	$ 799,404

4. FILM AND TELEVISION PROGRAM RIGHTS

The components film and television program rights as well as the related accumulated amortization are:

	2007			2006
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Class B	$ 401,000	$ 200,500	$ 200,500	$ 266,288
Class C	1,219,380	669,426	549,954	567,273
Class D	3,458,192	1,677,827	1,780,365	1,900,774
	$ 5,078,572	$ 2,547,753	$ 2,530,819	$ 2,734,335

Amortization for the year totaled $1,872,175 (2006 - $1,848,230).

5. FUNDS UNDER ADMINISTRATION

The Corporation administers funds on behalf of related parties in accordance with the terms of contracts between the Corporation and the related parties.

6. DEFERRED CONTRIBUTIONS

Deferred contributions represent unspent resources externally restricted for data transmission over satellite, restricted for program development received in the current period that is related to the subsequent period and other miscellaneous amounts. Changes in the deferred contributions balance are as follows:

	2007	2006
Data transmission over satellite		
Beginning balance, related to data transmission over satellite	$ 104,995	$ 180,826
Less amount recognized as revenue in the year	(104,995)	(180,826)
Add amount received related to the following year	117,944	104,995
Ending balance, related to data transmission over satellite	117,944	104,995
Program development		
Beginning balance, related to program development	95,000	---
Less amount recognized as revenue in the year	(95,000)	---
Add amount received related to the following year	---	95,000
Ending balance, related to program development	---	95,000
Miscellaneous		
Beginning balance, miscellaneous	---	---
Less amount recognized as revenue in the year	---	---
Add amount received related to the following year	8,195	---
Ending balance, miscellaneous	8,195	---
Ending balance	$ 126,139	$ 199,995

7. DEFERRED CONTRIBUTIONS RELATED TO PROPERTY PLANT AND EQUIPMENT

Deferred contributions represent funding received to purchase data transmission over satellite equipment. These amounts are amortized over the three year life of the underlying assets. Changes in the deferred contributions balance are as follows:

	2007	2006
Beginning balance	$ 474,297	$ 819,949
Contributed equipment	11,770	128,646
Amount amortized to revenue	(480,182)	(474,297)
Ending balance	$ 5,885	$ 474,297

8. COMMITMENTS

a) Productions

At March 31, 2007 the Corporation had commitments totaling $56,625 (2006 - $97,025) representing the estimated cost to complete productions in progress.

b) Broadcast and duplication rights

At March 31, 2007 the Corporation had commitments totaling $1,459,446 (2006 - $1,128,524) for the acquisition of broadcast and duplication rights.

c) Satellite transponder

The Corporation has contracted with vendors for transponder space at an estimated cost for 2007-08 of $1,089,672 (2006-07 - $1,839,660). Included in the 2007-2008 total is $526,637 to support the Internet over Satellite Initiative to September 30, 2007. Saskatchewan Learning commits to covering this cost. The contracts are subject to annual renewal.

d) Backhaul contract

The Corporation contracts with vendors for signal transportation services at an estimated cost for 2007-2008 of $241,500 (2006-07 - $346,548 including non-committed costs). The contracts are subject to annual renewal.

e) Property lease agreement

The Corporation has a contract with the Saskatchewan Property Management (SPM), a related party, for the lease of accommodation space. The contract cost for 2007-2008 is $56,345. The contract extends to June 30, 2007 with a lease renewal in negotiation.

f) Lease agreement for broadcast scheduling software

The Corporation contracts with vendors for the lease of broadcast scheduling software. The contract cost for 2007-08 is $10,395. The contract extends to August 2009.

A summary of future years commitments are detailed below:

Year ending March 31	Commitments
2008	$ 2,584,983
2009	271,895
2010	71,831
Total	$ 2,928,709

9. PENSION COSTS

In 2007, pension expense and employer contributions for the Public Employees Pension Plan were $112,953 (2006 - $84,269).

10. RELATED PARTY TRANSACTIONS

All Government of Saskatchewan agencies such as departments, corporations, boards and commissions are related since all are controlled by the government.

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which SCN is related. The more significant of these are SaskTel, Saskatchewan Property Management (SPM), the Saskatchewan Legislative Assembly (SLA), and Saskatchewan Learning. Also, SCN is related to non-crown enterprises that the government jointly controls or significantly influences. Account balances resulting from these transactions are included in the balance sheet and are settled on normal trade terms.

The following table summarizes SCN's major related party transactions that are in the normal course of operations. These transactions are recorded at exchange amounts agreed to by the related parties.

	2007	2006
Revenues		
Data transmission over satellite		
– Saskatchewan Learning	$ 1,678,146	$ 1,400,530
– Saskatchewan Property Management (SPM)	278,527	564,744
– Less deferred contributions	(123,828)	(169,284)
Net revenue – Data transmission over satellite	1,832,845	1,795,990
– Saskatchewan Environment	98,726	49,631
Video transmission over satellite		
– Saskatchewan Legislative Assembly	273,025	267,608
Provincial grant, Government of Saskatchewan	6,435,000	5,687,000
Program sponsorship		
– Department Culture, Youth and Recreation	100,000	239,280
Other	33,540	17,433
Expenses		
Administration		
– SPM for accommodation and renovation expense	284,921	201,177
– SPM for general operating costs	80,147	84,113
– SaskTel for telephone operating costs	23,661	23,832
Network distribution		
– SPM for signal transport services	78,202	89,743
– SaskTel for video and audio signal transport services, and telephone charges	15,027	42,770
– Operation of SCN's master control		
University of Saskatchewan, Division Media Technology	318,053	679,980
Other	31,620	50,317
Accounts Receivable at March 31		
– Government of Saskatchewan, Provincial grant	537,000	550,000
– SPM for data transmission over satellite	---	141,186
– Saskatchewan Learning for network equipment	9,817	7,758
– Saskatchewan Legislative Assembly	13,175	---
– Saskatchewan Environment for data transmission	15,754	47,269
– Other	17,351	5,121
Accounts Payable at March 31		
– SPM for general operating costs	3,672	12,761
– Sasktel for signal transport services and telephone charges	2,399	910
– Other	110	1,175

In addition, the Corporation pays Saskatchewan Provincial Sales Tax to the Saskatchewan Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

11. FINANCIAL INSTRUMENTS

The Corporation's recognized financial instruments consist of accounts receivable, accounts payable and funds under administration. The Corporation does not have any financial assets or financial liabilities which are not recognized in the financial statements.

a) Fair values

The fair values of the above noted financial instruments approximate their carrying value due to the short-term nature of these instruments.

b) Credit risk

The Corporation is exposed to credit risk from the potential default of customers. However, the majority of the Corporation's receivables are from related parties, other government corporations and agencies. Therefore the credit risk is minimal.

12. COMPARATIVE FINANCIAL INFORMATION

For comparative purposes, certain 2006 balances have been re-classified to conform to the 2007 financial statement presentation.

13. COMPARISON OF PLANNED AND ACTUAL RESULTS EXPENSES

	2007		2006
General Operating Expenses	**Budget**	**Actual**	**Actual**
Film and television program rights	$ 56,181	$ 143,058	$ 358,591
Film and television program rights – amortization	1,872,175	1,872,175	1,848,230
Program development and production	277,465	378,050	282,064
Program support	483,961	575,815	503,695
Broadcast network distribution and support	1,480,170	952,079	1,126,422
E-learning network distribution and support	663,431	573,002	584,451
Administration	1,694,787	1,703,869	1,521,950
Administration – amortization	112,978	112,978	121,040
Network distribution – amortization	778,313	778,313	544,564
Sub-total	7,419,461	7,089,339	6,891,007
Additional Services Provided			
Network distribution – data	1,395,750	1,390,007	$ 1,283,617
Network distribution – video	304,950	317,079	354,183
Sub-total	1,700,700	1,707,086	1,637,800
Total	$ 9,120,161	$ 8,796,425	$ 8,528,807

Capital Purchases			
Property Plant and Equipment			
Administration	$ 41,105	$ 69,198	$ 79,010
Network distribution – general	609,550	786,036	15,900
Network distribution – additional services	0	11,770	128,646
Sub-total	650,655	867,004	223,556
Film and Television Program Rights			
General program rights	1,518,356	1,314,137	1,962,180
Educational program rights	210,000	174,022	213,841
Sponsorship program rights	200,000	180,500	322,495
Sub-total	1,928,356	1,668,659	2,498,516
Total	$ 2,579,011	$ 2,535,663	$ 2,722,072

14. CLASSIFICATION OF EXPENSES BY OBJECT

	2007	2006
Salaries (including benefits)	$ 2,092,173	$ 1,512,849
Communications	336,575	315,036
General operations		
– Administration	565,385	646,657
– Networks	854,624	620,660
Distribution of networks	2,742,777	3,044,820
Program rights	2,015,233	2,206,821
Production costs	189,658	181,964
Total	$ 8,796,425	$ 8,528,807

SCN **connects** Saskatchewan communities and learners

SCN **creates** opportunities in the Film and TV industry

SCN **communicates** a world of ideas

Celebrating 15 Years!

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SASKATCHEWAN COMMUNICATIONS NETWORK
VENDOR ANALYSIS - Cash Payments - 2006/07

Nenson, Christie	44,239.41
Nixon, Kendra	3,548.59
Norman, Brent	59,186.99
Oroz, Mirko	16,030.46
Pattullo, Ryan	38,019.44
Payeur, Linda	68,243.40
Ritter, Lee	36,045.95
Sayer, Lisa	7,338.92
Stanchuk, David	98,912.51
Still, Paul	48,661.48
Swimmer, Andrew	24,865.67
Thornton, Jordan	26,066.90
Tyson, Bernie	4,878.98
Way, Victoria	4,784.49
Westmoreland, Cherie	73,619.81
Wise, Jody	61,933.98
Zander, Celeste	44,824.36
	$2,082,622.66
	$9,301,664.12

SASKATCHEWAN COMMUNICATIONS NETWORK
VENDOR ANALYSIS - Cash Payments - 2006/07

Listed are payees who received $50,000 or more for the provision of goods and services, including office supplies, communications, contracts and equipment

Vendor Name	Total
291 Film Company Inc.	64,000.00
Alliance Atlantis	105,000.00
BBC Worldwide	276,050.00
Bell ExpressVu - satellite	693,771.35
Birdsong Communications Ltd.	62,250.00
Bug TV	131,444.79
Canadian Broadcasting Corporation	67,200.00
Cooper Rock Pictures Inc.	71,000.00
Evertz Microsystems Ltd.	60,236.00
Granada International	180,340.00
HJ Linnen Associates	60,366.26
Isilon	358,314.33
Juxtapose Productions	171,000.00
Middle of Somewhere II	52,500.00
Minister of Finance	140,161.20
Quest Communications Group I	108,346.65
RCE	59,126.47
Renegade Press Productions I	52,500.00
Saskatchewan Property Management	460,907.81
Telesat Canada	1,361,489.94
University of Saskatchewan	318,052.81
Verite Films	58,611.00
Wolf Sun Productions	89,450.00
Payees Under $50,000	2,216,922.85
	$7,219,041.46

Listed are individuals who received payments for salaries, benefits, honourariums, etc. which total $2,500 or more

Alecxe, Ken	144,596.99
Amyotte, Linda	29,332.18
Brown, Dallas	47,194.65
Capili, Benison	68,843.80
Cardinal, Rhyse	44,378.41
Chen, Cuiyan	26,335.87
Cumberland, Robert	48,649.99
Flores, Leilanie	24,109.80
Frederickson, Cory	52,972.13
Galati, Maria	55,895.45
Gibbons, Rebecca	61,787.66
Graham, Susan	55,790.66
Gustin, Richard	113,743.64
Huntley, Krista	42,465.73
Johns, Jim	86,774.47
Kaytor, Andrew	28,672.01
La Rose, Jeremy	5,195.71
Lindsay, Betty	49,928.33
MacDonald, Maureen	99,021.68
MacDougall, Twyla	96,266.63
MacKay, Kevin	47,209.21
Manzenc, Laura	16,650.27
McDonald, Joanne	62,482.12
Meyer, Jason	28,672.01
Moriarty, Terry	62,432.00
Nelson, Elena	22,019.93